



REPORT TO: SPECIAL MEETING OF MORAY COUNCIL ON 18 FEBRUARY 2021

SUBJECT: CAPITAL STRATEGY

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

1.1 To ask Council to approve the amended Capital Strategy presented in draft as **APPENDIX 1** to this report.

1.2 This report is submitted to Committee in terms of Section III (B) (1) of the Council's Scheme of Administration relating to consideration of the financial and budgetary policy of the Council.

2. RECOMMENDATION

2.1 **It is recommended that Council approve the amended Capital Strategy as set out in APPENDIX 1.**

3. BACKGROUND

3.1 The Council's current Capital Strategy was approved by Council on 12 December 2018 (paragraph 7 of the Minute refers).

3.2 The Council's capital expenditure is governed by the Prudential Code. The latest version of the Prudential Code was promulgated in December 2017. This included the requirement for Councils to adopt a Capital Strategy and set broad parameters for what the strategy should contain. The Code is clear that the Strategy should be tailored to local circumstances ensuring that each local authority will be able to determine its own prerequisites for their capital strategy, while taking into account any statutory requirements.

3.3 As a document, it complements other documents such as the Council's Treasury Management Strategy. The Capital Strategy is not intended to be a technical document, but instead viewed as an accessible document, which sets out the context in which decisions about capital expenditure are to be made.

3.4 The draft Capital Strategy, which forms **APPENDIX 1** to this report and shows tracked changes to the current Capital Strategy, sets out:

- what constitutes capital expenditure ;
- why the Council undertakes capital expenditure;
- how the capital programmes of the Council relate to Council priorities and other Council policies;
- the link between asset management and capital planning;
- how the Council finances capital expenditure;
- the main aims of Treasury Management (new);
- the Council's governance arrangement for approving and monitoring capital expenditure;
- the risks the Council is exposed to from its capital programmes;
- how the Council accesses appropriate knowledge and skills ;
- shows diagrammatically the links between different bodies, plans and processes and the Council's capital plans .

3.5 The Strategy also indicates that a local performance indicator for assessing affordability of capital expenditure is being developed – the proportion of the Council's net General Services budget which is committed to loans financing charges.

3.6 The Capital Strategy approved in December 2018 complied with the guidance on capital strategies issued by CIPFA in 2015 and with the Prudential Code 2017. The 2018 Capital Strategy contained a new emphasis on the links between other areas of Council activity, particularly development planning, and the Capital Strategy. The draft Capital Strategy 2020 continues this and recognises the potential impact on future capital plans of the Draft Climate Change Strategy. This is part of the greater focus on priority- led budgeting approved in the Best Value Action Plan.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The Capital Strategy indicates the links between the LOIP and the Council's Corporate Plan and the Council's planned capital expenditure

(b) Policy and Legal

Part 7 of the Local Government in Scotland Act 2003 requires local authorities to have regard to the Prudential Code.

(c) Financial implications

There are no financial implications arising directly from this report. The Capital Strategy is one of a number of documents which assist in the Council's financial planning process.

(d) Risk Implications

There are no risk implications arising directly from this report. The Capital Strategy indicates risks associated with capital expenditure plans.

(e) Staffing Implications

There are no staffing implications arising directly from this report.

(f) Property

There are no property implications arising directly from this report.

(g) Equalities/Socio Economic Impact

There are no implications for equalities or the socio-economic duty arising directly from this report.

(h) Consultations

Members of the Council's Asset Management Working Group, CMT and the Democratic Services Manager have been consulted in the preparation of this report.

5. CONCLUSION

5.1 The Council's Capital Strategy has been revised as part of the financial planning process.

5.2 The Strategy underpins the Council's draft 10 year Capital Plan, which is the subject of a further report to this meeting of Council.

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Background Papers:

Ref: